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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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SECURITY INFORMATION

COUNTRY	East Germany/USSR/China	REPORT NO.	<input type="text"/>	25X1A
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25X1X SOURCE:

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1. president of the Deutsche Notenbank stated that the Deutsche Notenbank had a cash deficit of 81,600,000 eastmarks. This had been caused by the lag in the production of consumer goods and the decrease of purchases at the HO shops. As a result, the Deutsche Notenbank is not in a position to grant credits to industrial enterprises for the payment of wages.
2. In order to eliminate the dangers inherent in this situation, Minister of Trade Kurt Gregor was asked to negotiate in Moscow for the immediate delivery of foodstuffs and raw materials. It was also decided that industrial enterprises which lag behind production schedules will be closely supervised by the SED.
- 25X1 3. it was further resolved to grant special aid for reconstruction to China in 1954 and 1955. The main administrations of the pertinent ministries were ordered to draw up a plan for the rehabilitation and reconstruction of Chinese industry. The plan is to be turned over to the Chinese Government in Peiping by Minister Kurt Gregor in mid-October.
4. With regard to the reorganization of the East German Government, the Ministry of Heavy Machine Construction, the Ministry of Engineering (sic)² and the Ministry for Transportation and Agricultural Machine Construction are to be merged and placed under Deputy Minister Heinrich Rau; the Ministry of Mining and Smelting and the State Secretariat for Chemistry are to be headed by Minister Fritz Selbmann.³

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1. Comment: This information indicates that deliveries of raw materials and foodstuffs promised by Moscow in August 1953, have not yet started to arrive in any sizeable quantities. It will not be until after the arrival of these deliveries that a flow of money to the Deutsche Notenbank will resume as the result of the increased marketing of consumer goods.

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2. Comment: Possibly the Ministry for General Machine Construction is meant.

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3. Comment: This reorganization, which was probably initiated by the SCC, follows the pattern of the reorganization of the Soviet Government. Previous observations indicate that top ranking Party officials have been placed at the head of ministries in time of crisis. After a return to more normal conditions, the top level men are again withdrawn from the front line. It appears that this line has also been chosen with regard to Rau, who previously held the position of Commissioner for the Coordination of Industry and Commerce, and who is now being ordered to overcome the critical situation in the machine construction industry. His appointment also indicates that, contrary to directives laid down for a "new course" in East Germany, the engineering industry will continue to receive priority. The promotion of Rau and Selbmann, who have both been reported in opposition to Walter Ulbricht, indicates two different aspects of the Soviet policy in East Germany.

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